

Katana Australian Equity Fund

The Katana Australian Equity Fund (KAEF) is a long-only, actively managed investment fund that invests in a range of Australian listed companies.

Katana focuses on generating returns through unique insights into investment ideas while striving to act in unison with the market. Flexibility within the boundaries of our risk framework and rigorous investment process allows us to maximise investor returns without constraint on size, sector or thematic.

Our fund has an overarching preoccupation with protecting your investment. We are comfortable to remain weighted in cash for extended periods until the right opportunities arise.

Invest in
a meeting
today

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The information provided in this brochure is intended for general use only. The information provided does not constitute financial advice. Under no circumstances should investments be based on the information herein.

Please be aware that investing in (any asset) involves the risk of capital loss, and that past performance is not necessarily indicative of future performance.

All investment returns quoted are pre-tax and pre-fees and calculated on an annualised basis.

Performance – Quarter Ended 31 December 2018

During the quarter ended 31 December 2018, the ASX S&P All Ordinaries Accumulation Index had a severe correction and ended down by 9.0%. The Katana Australian Equities Fund (KAEF) performed only slightly better, due to our overweight position in the Energy sector. We remain positive on these companies at both a top-down and bottom-up level, and we are already seeing a substantial rebound in January, which bodes well for the current quarter's returns. Importantly, the Fund continued to outperform its benchmark over the longer term by a solid 2.4% per annum net of all fees.

Fund Performance (Net of fees)	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR PA	3 YEARS PA	5 YEARS PA	INCEPTION PA
KAEF	-1.56%	-8.84%	-8.37%	-2.17%	5.41%	7.48%	8.34%
ASX All Ords Accumulation Index	-0.45%	-8.98%	-7.28%	-3.53%	6.60%	5.71%	5.90%
Outperformance	-1.12%	0.14%	-1.09%	1.37%	-1.19%	1.76%	2.44%

N.B Past performance is not an indicator of future performance.

Top 10 Investments:

Minerals Resources Ltd	7.92%
Woodside Petroleum Ltd	3.69%
Pioneer Credit Ltd	3.68%
Macquarie Group Ltd	3.53%
Viva Energy Group Ltd	3.48%
National Australia Bank Ltd	3.44%
CSL Ltd	2.89%
Challenger Ltd	2.58%
South32 Ltd	2.36%
BHP Billiton Ltd	2.13%
Top 10 Equity Investments	35.70%
Remaining Equities	26.35%
Cash and Equivalents	37.95%
Total	100.00%

Portfolio Review

All of the major ASX S&P All Ordinaries Accumulation Index sectors declined in the December quarter, with Defensive sectors faring relatively better than Cyclical. The worst performing sectors were Energy, Communication Services, IT and Consumer Discretionary.

Top 10 Holdings Commentary

Stocks that delivered the largest contributions to the Fund during the quarter were Transurban and Regis Resources along with some smaller gold positions, notably Resolute Mining and Dacian Gold. The main detractors were Viva Energy and Woodside, which felt the brunt of lower oil prices; and Aristocrat Leisure, which was sold off after its FY18 result failed to meet high expectations.

During the quarter, the Fund sold its holdings in Transurban and Regis Resources after decent gains and reduced its holding in BHP and Viva Energy. Woodside and South32 replaced Transurban and BHP in the Fund's Top 10 holdings during the quarter. These changes resulted in the cash balance increasing to 38% as at 31 December from 33.5% as at 30 September 2018 and will be deployed if the Manager sees further value following any future volatility events.

Macro and Outlook

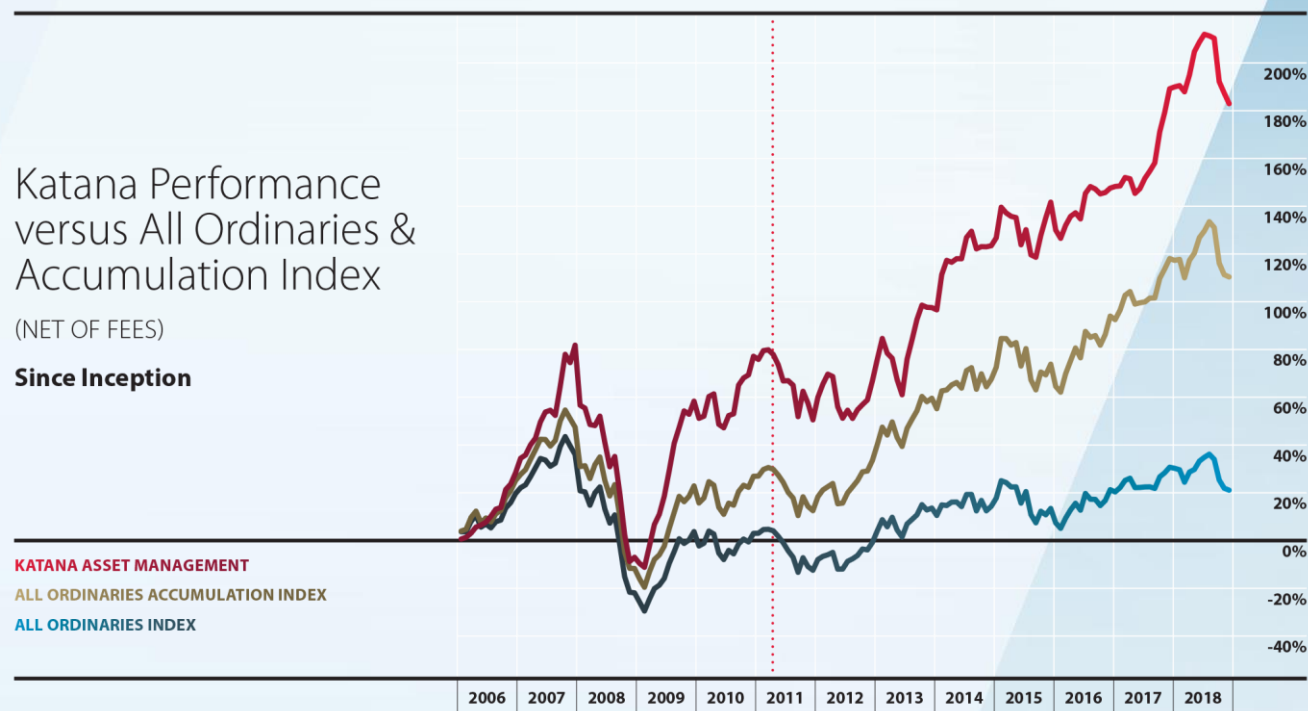
The December quarter correction was caused by the US/China trade war escalation and the US raising its cash rate by an additional 25 basis points in December. Although global growth is expected to continue at a lower pace than in 2018, it should remain above trend given the supportive policy settings prevailing in many developed and emerging market economies. The Australian economy is slowly improving with a pick up in infrastructure spending driving jobs growth being partly offset by high household debt; low wages growth; and a declining property market. The Manager believes that stock performance in the current quarter will largely be driven by the 1HFY19 earnings results as well as a potential outcome to the trade negotiations between the US and China.

Since Jan 2006, the Katana fund has returned **210.8%** vs **34.3%** for the All Ordinaries Index and **131.5%** for the Accumulation Index.

Katana Performance versus All Ordinaries & Accumulation Index

(NET OF FEES)

Since Inception



KATANA ASSET MANAGEMENT
ALL ORDINARIES ACCUMULATION INDEX
ALL ORDINARIES INDEX

1 Inception date Katana Capital January 2006. Returns quoted net of fees pre-tax. From 1st July 2011 performance data Katana Australian Equity Fund Vehicle.

2 Past performance is not necessarily indicative of future performance.

Source: Katana Asset Management Ltd; IRESS

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MANAGED FUND



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